

The Impact of the Aging Workforce on Public Sector Organizations and Mission

February 2007

By: Glenn Davidson, Stan Lepeak & Elizabeth Newman

This Study is sponsored by:



This study was conducted by

EQUATERRA

The Impact of the Aging Workforce on Public Sector Organizations and Mission

Executive Summary

There has been a great deal of discussion and debate in recent years around the aging public sector workforce. Numerous articles depict the aging baby boomer generation as a looming crisis for public sector organizations while others believe the increased speculation around mass retirements is an exaggeration of the situation. The purpose of this study, the third in a series of four by IPMA-HR, is to explore what efforts organizations are undertaking to understand and monitor their workforce. Further, how do organizations anticipate their workforces and even jurisdictions may change due to a potential increase in employee retirement? How will these changes impact the organizations' operations and abilities to achieve their overall missions or to deliver vital services? Will critical institutional knowledge be lost as workers retire and will key positions remain vacant due to dwindling applicant pools? This study examines these and other important questions related to the impact of the aging workforce.

Regardless of the speculation around the aging workforce, few organizations truly understand the retention, retirement, recruitment and training attributes and dynamics of their current employees. Most organizations remain reactive at best in their efforts to monitor their workforces, from retirement eligibility to the time or cost necessary to fill a vacant position. These organizations lack valuable information that would help to guide strategy and future plans to respond to retiring or exiting workers.

The baby boom generation is getting older and more baby boomers are likely to retire in the next three to five years. While many of the individuals in this group may choose to stay in their current position longer and delay retirement, many may also choose to leave the public sector for opportunities in the private sector or elsewhere. Many of the baby boomers working in the public sector today have leadership positions, specialized positions or a long tenure with the organization. Upon exiting the workforce, these workers often take valuable knowledge and experience with them, which can have a negative impact on the organization.

Even if an organization monitors employee eligibility for retirement, it can still be difficult to predict when an employee will actually retire. Additionally, depending on the age and tenure requirements for retirement, some post baby boomers (born after 1964) are themselves not that far from retirement age.

Retiring workers are not the only challenge for public sector organizations. The visibility of the aging workforce as an issue for public sector organizations may in fact be creating a tunnel vision effect for these organizations. Demographic changes, including ebbs and flows in population, will also impact applicant pools. It is difficult to predict whether many of these changes, such as increases in the immigrant population, will result in more or less qualified applicants. Further, competition with the private sector is on the increase and public sector organizations are also facing growing challenges in retaining younger workers. Organizations may need to adapt their approaches to attract new talent.

Many organizations also need to be prepared to ramp up or down service delivery efforts to reflect demographic changes that influence the number of citizens demanding services. Preparation and flexibility again become critical, but still many organizations are not doing enough to inform themselves about what the future holds. When thinking about the necessary resources or tools to be leveraged in responding to change, these same organizations appear to rely heavily on information technology and similar solution paths that may or may not ultimately solve the problems at hand. For example, Overdependence on any type of software system or application to weather change may be a risky response especially for organizations already grappling with legacy information technology (IT).

The loss of institutional knowledge, especially about mission critical procedures and processes, only compounds the aging workforce issue further. Knowledge management – the identification and capture of institutional knowledge and individual expertise – has great potential to address institutional knowledge loss. It has, however, too often

become associated with specific technologies or narrow processes like records management, that while valuable only address one piece of the knowledge puzzle. Many organizations pursue records management, content and document management and imaging or consolidation of information into centralized database repositories as efforts unto themselves often overly focused on technology. While all of these initiatives can potentially remedy problems related to managing explicit knowledge (e.g., facts & figures) organizations must not ignore how to capture, catalogue and retain other more tacit knowledge (e.g., “tribal knowledge,” how work “really gets done”) that is lost when employees leave. Identifying institutional knowledge is a challenging issue and clearly, organizations are only beginning to feel the impact of this knowledge loss as results of inadequate knowledge management and related efforts.

IPMA-HR’s research series seeks to advance understanding and knowledge around the current state of Human Resources in public sector organizations. This IPMA-HR research effort was sponsored by Convergys. EquaTerra conducted the research study, performed the analysis and developed this report on behalf of IPMA-HR and did not receive any funding from Convergys. EquaTerra surveyed more than 350 public sector professionals to examine the impact of the aging workforce on public sector organizations, missions and strategic goals. The respondents represented all major public sector categories and were located in the United States.

Table of Contents

I	Executive Summary	1
II	Introduction	4
III	Current State of Public Sector Organizations	4
IV	Assessing the Impact of the Aging Workforce	6
V	Impact on Organization's Mission	8
VI	Responding to the Challenge: Strategies in Recruiting, Training and Retention	10
VII	The Struggle of Knowledge Management	13
VIII	Conclusion	14
IX	Report Scope and Research Methodology	16
X	Appendix	17
XI	About the Organizations Responsible for this Report	18

Introduction

What is the aging workforce? A popular buzzword of sorts often referenced in discussion and rhetoric, the aging workforce points to the baby boom generation. Baby boomers, generally defined as those individuals born between 1946 and 1964, will typically become eligible for retirement and begin to retire in higher numbers over the next few years. Further compounding the issue of legacy staff retirement are the characteristics of the following generation(s) entering the workforce relative to their volume, skills, and motivation to adequately replace and supplant retiring public sector employees. This generation, like most that followed the baby boomers, experienced lower birth rates. The result is fewer people entering the workforce to fill those vacancies left by retiring or exiting workers. There is concern that the entering workforce will not be able to offset these vacancies causing a worker shortage for some organizations that will impact the organization's ability to operate, deliver service and continue mission critical activities.

A simple Internet keyword search on “aging workforce” yields everything from advanced research to entire web sites dedicated to examining this highly debated subject. Predictions on the impact of retiring workers range from crisis caused by workforce shortages to a complete re-shaping of the public sector workforce. At the same time, many researchers and public sector leaders feel the issue has been exaggerated to an almost fever pitch without reliable evidence that such mass retirement will actually occur. The key issue in the argument may not be a shortage of workers for the public sector but the challenge the public sector faces in appealing to potential employees or retaining current employees. Further, increases in immigration and other population changes may be positive for applicant pools if the public sector is able to tap into this available talent.

Undoubtedly, the aging workforce will impact organizations differently and any impact depends on not only the organization's current workforce but also its jurisdiction, demographics and future ability to attract replacement staff. An examination of the potential impact of the aging workforce can help organizations to begin to be more proactive about HR policies – from recruitment to retention – while identifying weaknesses or gaps in HR planning.

The purpose of this study is to explore what, if anything, organizations are doing to assess the current workforce, who is eligible or likely to retire, and how changes may impact the organization's ability to carry out its mission. At the same time, what HR methods or strategies are working well and what would organizations like to be doing if they had greater access to specific resources or knowledge?

This research also considers the impact of not only the aging workforce but also the aging population and how demographic changes may influence organizations. Public sector organizations often complain that they don't have the resources or know how to collect or monitor demographic information. While this may or may not be true, some type of demographic research is probably already happening within organizations, especially in government entities. Whether it is a budget department utilizing demographic information to forecast the tax base or a planning department tracking new housing permits, information about the population probably exists. Population rates and concentrations, especially in fast-growing areas of the country, can shift relatively quickly, causing new challenges for already struggling organizations.

As workers begin to retire or exit, organizations also need to be concerned about the potential loss of critical institutional knowledge. Knowledge management (KM), defined for this study as any effort focused on the capture and maintenance of institutional knowledge, can often be confusing especially given the overlap of tacit and explicit knowledge management and its interchange with sub-dimensions of KM, such as records or document management, which are often also pursued as technology exercises. Unfortunately, many organizations do not realize their loss until the impact is felt, often resulting in a loss of efficiency or setbacks for important strategic goals. Any increase in turnover, caused by retirement or other reasons, puts more institutional knowledge at risk and increases the need for an effective knowledge management strategy.

Current State of Public Sector Organizations

How well does the average organization know its own workforce? Does HR regularly monitor the workforce for retirements, turnovers and specialized skill sets? How is this information and other data incorporated into decision-making, especially when it comes to filling vacancies or identifying potential leadership? Recent IPMA-HR studies indicate that

performance measurement and overall monitoring tend to be challenges for public sector organizations, especially within HR. Organizations often do not know what to measure or cannot readily access the necessary data to make measures or benchmarks valuable in day-to-day management and decision-making. Measures that most organizations already track due to requirements or other efforts may be useful in the present but are not always informative about the future or trends within the workforce. In short, these reactive measures likely don't provide enough information early enough in the process to avoid major challenges that end up costing an organization money and time.

To provide some context for considering the aging workforce and its impact, all organizations were asked to describe their current HR environments. Thirty-six percent of respondents have some combination of a Civil Service and At-Will employment system. Twenty-eight percent utilize a Merit-Based Civil Service system only, while 21 percent have an At-Will employment system only. In terms of current operating environment, the majority (73 percent) operate within a fully or partially shared services environment. A slight eight percent outsource some HR functions. Outsourcing remains a largely unrecognized tool within the public sector, a point validated by previous IPMA-HR studies.

Turnover is an important indicator and one of the most common measures utilized by organizations to monitor their workforces. When asked about annual turnover, 68 percent of responding organizations put their annual turnover rate at 1 to 10 percent. Twenty-eight percent of organizations indicate an annual turnover rate at 11 to 20 percent of their workforce. Organizations were also asked to determine the percentage of their annual turnover that is voluntary. Thirty-seven percent place voluntary turnover at more than 76 percent, thus the majority of employees leave by their own choice. Interestingly, 46 percent of respondents indicate that only 1 to 26 percent of annual turnover is voluntary. With this figure, the remaining turnover, up to 74 percent in this case, is involuntary turnover, a high percentage and perhaps an indicator of the funding and resource challenges these organizations face.

While 48 percent of organizations feel their turnover rate has not changed in the last five years, 41 percent report that

the turnover rate increased during this time. Only 11 percent indicate no change in turnover for the last five years. Increases in turnover can be attributed to multiple factors especially in the often volatile world of politics and government. Leadership changes due to regular elections may contribute to high turnover rates. Increases in turnover may also indicate the public sector organizations' struggles to remain employers of choice. As discussed later in this report, organizations report an increase in competition for talent with the private sector, another reason why turnover may be high.

The average time to fill a position is another important performance measure utilized to monitor the workforce and evaluate recruiting and staffing efforts. The majority of respondents, 71 percent, report their average time to fill for positions falls between one and three months time. Eight percent of organizations report an average time to fill of less than one month and approximately one percent of organizations report an average time to fill of over 12 months. Time to fill is dependent on the type of vacancy. If an organization is looking to fill a position that requires special skills or is a management role, these positions may require more time for an extensive search. For the purpose of this study, organizations were asked to report the average time to fill only.

Time to fill appears to have improved during the last five years. Thirty-one percent of responding organizations report a decrease in the time to fill and 33 percent believe the average time to fill has stayed the same. One quarter of respondents report an increase in the average time to fill over the last five years. These figures may point to both an organization's recruiting and staffing strategies and positive changes in the volume of qualified applicants. Organizations that utilize tools, such as applicant tracking systems or on-line applications, may be able to speed up their overall processes. Likewise, on-campus recruiting or the use of other networks may boost the number of qualified applicants for vacancies.

Cost to fill is another tool useful in evaluating recruiting and staffing efforts. Unfortunately, due to the complexity of calculating cost to fill, few organizations use this measure. Cost to fill also presents a challenge when compared to other organizations. Since most organizations calculate cost to fill differently, it is often an unreliable benchmark. For the

purpose of this study, respondents were asked to express cost to fill as a portion of salary for the vacancy being filled. Thirty-two percent of responding organizations report they do not know their average cost to fill. About one third of respondents (31 percent) indicate cost to fill as being less than 10 percent of the position salary. Another third (30 percent) report cost to fill as being 10 to 25 percent of the position salary. Certain positions may cost more to fill than others but organizations should use this measure to monitor the result of the cost. Does a higher cost to fill equate to better qualified employees that are a good fit for their positions? Cost to fill yields information that may help organizations be more strategic about recruiting and staffing and able to make better decisions about where to devote resources.

Finally, responding organizations were asked about the average time to train a new employee. About one third (33 percent) of respondents indicate the average time is between four and six months. Figure 1 provides a complete breakdown of these results.

Average Time to Train a New Employee

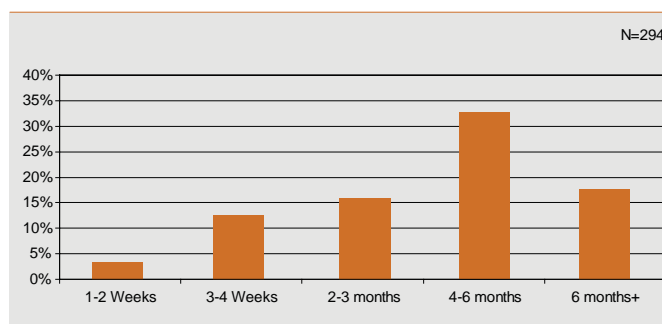


Figure 1

Organizations may perceive their training on this timeline but it is difficult to determine if the employees being trained would agree. An organization's training program may be complete after six months, but an employee may not feel completely prepared for the position after that time. It is important to note that eighteen percent of responding organizations indicate that they are unable to estimate the average time it takes to train a new employee.

These measures, coupled with accurate data and regular reporting, would help an organization to better understand the state of its current workforce. These measures become

critical in the context of the aging workforce and the potential for increases in retirements, especially within the leadership ranks. All of these measures point to an organization's preparedness for dealing with change, whether it is due to mass retirement or increases in turnover. If the average time to fill is long and the average cost to fill is high, how will an organization respond if several critical positions are suddenly vacant? Further, if cost to fill is low but recruiting and staffing efforts lead to more new hires leaving rather than staying in positions, what is the real cost to the organization? Organizations are doing a disservice to themselves when they neglect to capture this data or complete the process of calculating these costs.

HR may not be taking the most proactive steps in monitoring the workforce but most are undertaking some kind of strategic planning. More than half of respondents (57 percent) have a current strategic plan. Of those, 35 percent include specific strategies or components aimed at the aging workforce and the potential impact of an increase in retirements within the plan. This finding is a change from past IPMA-HR studies that found strategic planning to be less of a priority evidenced by only a minority of organizations with a strategic plan in place.

Assessing the Impact of the Aging Workforce

Retirement and retirement eligibility may be even easier to track because most organizations play a role in determining the eligibility of employees and most employees are highly interested in their status as it relates to retirement. Respondents were also asked about efforts around monitoring eligibility for retirement and retirement rates. This section explores how organizations are monitoring the aging workforce and what changes they expect to experience. To begin, respondents ranked their capability to track employee eligibility for retirement on a one to five scale (1 being low/no capability and 5 being high/complete capability). The average response was 4.1, which illustrates that most organizations feel they are capable of tracking retirement eligibility. Whether or not they utilize this information in planning or to forecast future vacancies remains an important question.

Sixty-nine percent of organizations report that between 1 and 25 percent of the workforce is currently eligible for retirement and 26 percent report that between 26 and 50

percent of the workforce is currently eligible. Clearly, these ranges are broad and will have a different impact according to the size of the organization and where eligible employees work within the organization. However, both figures demonstrate a sizable portion of the public sector workforce that is eligible to retire. For those organizations that fall into the 26 to 50 percent range, the loss of a significant number of employees through retirement would likely have a major impact, especially if the organization is small or employees are already stretched beyond their regular roles.

Imagine a situation in which an organization loses 20 percent of its workforce in a short period of time, perhaps 12 to 18 months. While the organization scrambles to identify and attract new talent to fill vacancies, current employees take on additional tasks and responsibilities to close gaps and maintain operations. Strategic initiatives and other non-essential activities are put on hold or suffer major set-backs as staff shifts focus to day-to-day transactions and service delivery. Needless to say, this type of scenario could have lasting consequences for an organization, especially one that is already struggling with budget and funding constraints.

Organizations report that 82 percent of eligible employees work at all levels of the organization. This finding, in some ways, goes against conventional thinking that the loss of retiring workers will be more severe because most of these individuals hold leadership positions. Figure 2 demonstrates the breakdown of where employees currently eligible for retirement work within the organization. At the same time, these findings also indicate that recruitment and staffing efforts may need to expand across the organization to respond to retiring workers rather than focusing efforts on one particular area like the identification of new leaders.

Employees Currently Eligible for Retirement

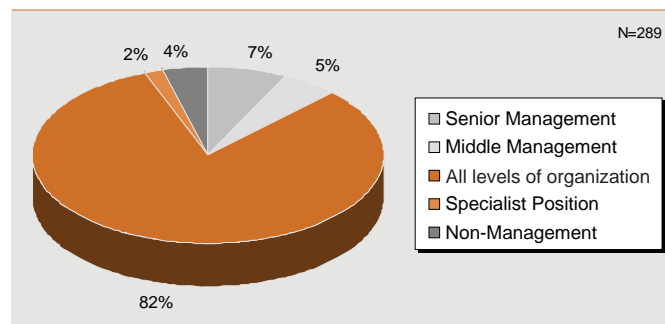


Figure 2

Even for those organizations collecting comprehensive information, retirement eligibility may not be able to predict when employees will actually retire. Employees are usually not required to share their retirement plans with their employers and notice of retirement often varies. Some employees, especially those in leadership positions, may be concerned about appearing as a 'lame duck' and fear that being open about their retirement decisions will impact their current positions. Regardless of the factor, there is usually little incentive for an employee to give more than ample notice, which leaves organizations with the challenge of predicting retirement rates. Seventy-nine percent of responding organizations believe that 1 to 25 percent of their workforce will likely retire in the next five years, while 19 percent put likely retirements at 26 to 50 percent of the workforce. Again, these figures deal with broad ranges and are only predictions of what may occur in the near future.

One critical mistake many organizations are apt to make is considering the aging workforce, retirements and the potential impact of these changes, in a vacuum. The number of employees eligible for retirement and the number likely to retire in the next few years may not have a drastic impact on the organization. However, combine an increase in retirement with a high turnover rate and increased competition with the private sector for talent, and even well-prepared organizations may face real problems. Further, for those organizations at the high end of the range for likely retirements in the next five years, these figures added to regular turnover may suggest a crisis in the making.

"The aging of the workforce is occurring globally and has significant impact on organizations," stated Neil Reichenberg, Executive Director for IPMA-HR. He noted that the 2005 World Public Sector Report issued by the United Nations indicated that while in 1950, less than 400 million people or 15 percent of the world's population were over the age of 50, by 2050, it is estimated that there will be more than 2.8 billion people or about 30 percent of the population over 50. While the impact will vary in different countries, the aging workforce coupled with declining birth rates in some countries will result in a shrinking talent pool that will require organizations to review and modify their human resource policies to adjust to the changing environment.

Impact on Organization Mission

Given this potential convergence of factors, are organizations concerned about or even aware of the impact on organization operations and mission critical activities? Respondents were asked to rank management's concern for the potential impact of the aging workforce on the organization's ability to achieve overall mission. On a scale of one to five (1 being low/not urgent concern and 5 being high/urgent concern) the average response rank was 3.2. Organizations are about the middle of the road when considering the potential impact of the aging workforce.

"It's apparent that many organizations either lack information about their own workforce or, worse yet, are not sharing it with their own management. It is difficult to be concerned and proactive about a problem if an organization is largely unaware of the issue," notes Glenn Davidson, Managing Director of Public Sector for EquaTerra. When asked about concern for additional areas, such as recruiting, staffing, succession planning and the capture of institutional knowledge, average rankings were almost the same.

When asked to describe the most critical concerns related to the aging workforce's impact on organization mission, delivery of quality service emerged as the key area of concern. Despite the rankings, organizations see a connection between increases in retirements and their ability to deliver service. Organizations recognize that changing demographics may also result in an overall increase in demand for services. High numbers of retirements could lead to a younger, less experienced workforce, another factor that would likely impact service delivery. The second highest area of concern speaks to challenges in recruiting and attracting new hires. Other factors, such as increasing competition with the private sector, may burden these efforts further. Identifying new leadership and filling management roles also emerged as a top concern.

Additional findings also imply concern around service delivery. Concerns may stem from the feeling service delivery is ill-prepared to deal with change in the workforce or the population receiving service. When asked what areas of the organization were best prepared to deal with the impact of the aging workforce, only 12 percent cited service delivery. Seventy percent of respondents indicate HR is best prepared to deal with the impact despite the fact efforts to assess or prepare

for increases in retiring workers are limited. A little over half (54 percent) of respondents feel that the organization's leadership is best prepared to deal with the impact, an interesting point given that leadership may be relying on limited information coming from HR. Finally, 27 percent name IT as being among those areas best prepared to deal with the impact. Later study results indicate that organizations anticipate IT will play a large role in responding to increases in demand for services. IT remains a challenging area for many public sector organizations and these same organizations may be relying on inadequate systems and tools to maintain service levels.

Organizations clearly have concerns and understand how increases in retirement would affect mission critical activities like service delivery. This concern does not translate into more proactive techniques of assessing the impact of the aging workforce and how the organization will respond. Figure 3 demonstrates the tools or methods organizations are currently utilizing to assess the potential impact of the aging workforce.

What is your organization doing to assess the potential impact of the Aging Workforce?

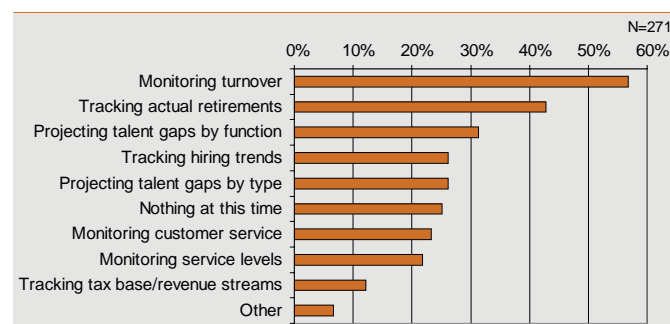


Figure 3

Only approximately one quarter of respondents are undertaking what could be considered more proactive efforts like monitoring service levels and customer service or projecting talent gaps. Resources and funding are usually limited within public sector organizations, which may prevent staff from undertaking more comprehensive efforts around assessing how changes in the workforce may impact the organization. Respondents were asked to describe what

methods or tools they would like to utilize if they had access to the appropriate resources and knowledge. The four most common responses were as follows:

- Succession Planning
- Skills Gap Analysis
- Performance Measurement or better use of existing indicators
- Knowledge Transfer

Succession Planning and Knowledge Transfer both speak to the respondents' concerns about identifying new leadership and filling management roles. These strategies can also improve the transition to the new role because the employee may already be in training or job shadowing to take over the position. A Skills Gap Analysis and improved use of performance measurement demonstrate that organizations would like to be more proactive, know more about their own workforces and have the ability to prepare and plan for the future. An effective Skills Gap Analysis would also allow an organization, and especially HR, to act more strategically by focusing resources on the skills and talent most in need by the organization.

Demographic Changes Outside the Workforce

The workforce is not the only area where organizations may feel an impact due to the aging baby boom generation. Fifty-six percent of respondents anticipate change in community or jurisdiction demographics over the next five years. When asked to describe expected demographic changes, most organizations anticipate increases in the elderly population, widening of the income gap, more diversity and larger minority populations. Overall, communities and jurisdictions expect to become more diverse both in the populations they serve and potential applicant pools. Many respondents also noted an increase in bilingual constituents and constituents whose first language is not English. Changes in the community will also impact the workforce. Respondents believe that future applicant pools will be younger, more diverse and less experienced.

More than half of respondents, 53 percent, believe these demographic changes will result in an increase in the demand

for services, which will in turn force changes in service delivery. Only three percent of respondents indicate that anticipated demographic changes will lead to a decrease in the demand for services. The impact on the delivery of service delivery will vary, but organizations expect that they will need to make adjustments to better serve bilingual populations, citizens with a higher expectation for service and older citizens that simply require more services than before.

Public sector organizations may need to turn to new tools or strategies to respond to increasing demand, especially if the workforce is constrained. Respondents were asked to rank the value of specific resources in maintaining service levels. On a scale of one to five, (1 being low/no value and 5 being high value), respondents ranked advanced IT and automation at 4.2. Outsourcing ranked a low 2.6, while Shared Services ranked at 3.5. These rankings are consistent with earlier study results that demonstrate the lack of recognition of Outsourcing and Shared Services as tools for transformation within the public sector. Figure 4 provides further detail on what resources or strategies would be leveraged to meet demand.

Resources/Strategies to Leverage in Meeting Demand for Services

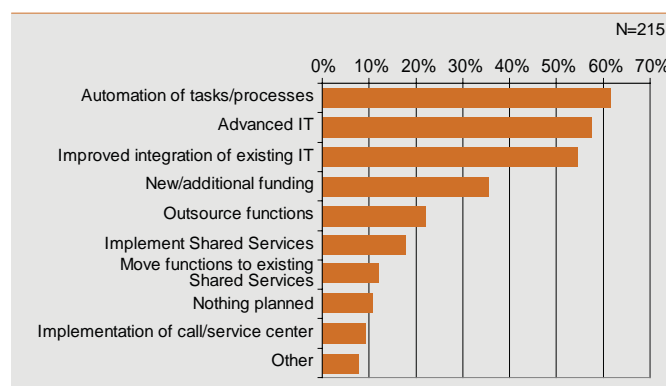


Figure 4

Increases in retirement or turnover may also cause an increase in the demand for HR services, especially if younger, less experienced employees require additional training and orientation to be successful in their placements. Similar to the response to increasing demands for overall service,

HR also finds IT systems and applications to be key tools in responding to an increase in demand for HR services. Figure 5 depicts tools that HR would leverage to respond to demand.

Important Tools in Responding to Changes in Demand for HR Services

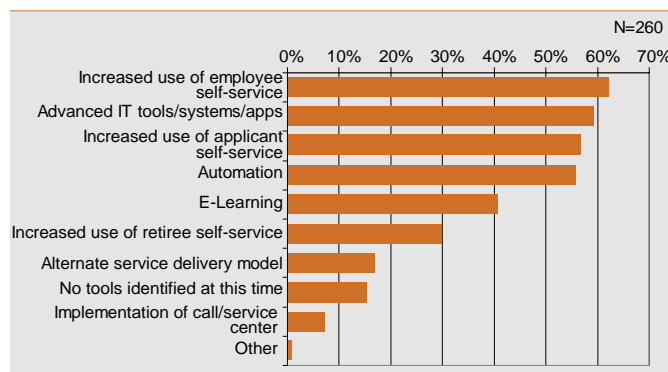


Figure 5

These organizations appear to be overconfident that IT and automation will solve problems caused by changes in demand for services and potential constraints within the workforce. The same organizations that plan to leverage advanced IT are likely dealing with failing legacy systems or still lack complete incorporation of existing systems.

“Information technology is rarely the panacea organizations think it will be. In fact, depending on how IT is used or incorporated, it may even create new problems that further impede service delivery and related activities,” adds Davidson. “Organizations, especially within HR, need to be wary of forgoing better planning and data collection efforts in favor of IT. Even the most advanced IT system cannot make up for a lack of valuable information about both the constituents demanding service and the workforce attempting to respond. Further, HR needs to recognize things like on-line applications or applicant tracking systems are tools rather than solutions. These tools do not replace or lessen the need for an effective recruiting plan or retention strategies.”

Respondents anticipate the public sector work environment will become more flexible in response to changes in the workforce caused by potential increases in retirement. More than half of respondents (56 percent) anticipate an increased use of part-time or temporary employees in the public sector. Forty-four percent feel that flex-time will become more common in not only attracting better applicants but in retaining current employees. Twenty-eight percent believe

that increases in tele-commuting are likely, while 27 percent expect to see increases in job-sharing. Public sector’s ability to provide a more flexible work environment could be a key selling point in efforts to become an employer of choice and to attract more qualified job candidates.

Another example of creating a more flexible work environment is the common practice of hiring back retired workers. Many public sector organizations are able to retain workers with specific skills and important institutional knowledge through these types of arrangements. While respondent feedback indicates these arrangements often work well for both the employee and the organization, it is important to point out the inherent risk. Organizations should be careful not to rely on workers returning to the workforce after retirement and allow this practice to prevent efforts around capturing institutional knowledge. Organizations have no guarantee that retiring workers will return. Further, if an employee leaves with essential knowledge of a process or system, this may be used as leverage in negotiating the agreement. The rehiring of retiring workers can be a successful strategy but should not be the only resource when responding to a changing workforce.

Responding to the Challenge: Strategies in Recruiting, Training and Retention

The response to potential increases in retirements depends on HR’s ability to not only identify and attract new talent, but to prepare new hires and current employees to take on new roles, succeed in these roles and stay with the organization. With this in mind, the study included specific questions around what organization’s HR and related areas are doing in terms of recruiting, training and retention of workers and what methods are truly achieving the desired results. Important to note, the majority of organizations participating in this study are under no explicit mandate to implement any type of workforce, recruiting, succession or retention plans. The lack of an explicit mandate may point to a more implicit mandate for these areas. HR may also include these components in an overall strategic plan rather than developing specific and separate strategies. The findings indicate today’s public sector HR recognizes some strategies and methods as being highly effective. At the same time, it is evident that HR understands that it would like to, and probably needs to, do more to be able to respond to future challenges and changes within the workforce.

Recruiting Talent

More than half of the respondents (51 percent) do not believe that sufficient talent already exists within their organizations to fill positions left by retiring workers while 35 percent of respondents believe that sufficient talent already exists within the organization to fill vacancies. Whether or not efforts are being made to further train or develop this existing talent remains unknown. A small portion of respondents (14 percent) indicate the organization is largely unaware of what talent exists in relation to potential vacancies. Again, many organizations lack important information on the skills and expertise of current employees.

If sufficient talent does not already exist within the organization, recruiting will bear the burden of identifying and attracting new talent. As previously discussed, changes in population may impact the size of applicant pools and the number of qualified applicants in relation to vacancies. Over a third of respondents, 37 percent, believe that anticipated demographic changes will have little to no impact on the organization's ability to recruit new talent. A little over a quarter of the respondents (26 percent) feel changes in population will have a positive impact on recruiting efforts leading to more qualified applicants. Only 15 percent find that changes in population will be negative for recruiting. Finally, 22 percent of respondents indicate they cannot predict or don't know what, if any, impact these types of changes will have on recruiting.

Government entities, such as municipalities and states, seldom take a census or sampling of residents to capture important data such as education levels, skill sets or work experience. Organizations, and especially HR, would benefit from knowing more about the current population and the future applicant pool. This information would also allow HR to act more strategically with time and resources when recruiting for specific positions. Organizations should look to partner with a local college or university or even a business development entity that may already be collecting this type of information.

Competition with the private sector poses another challenge for organizations needing to ramp up their recruiting efforts. The vast majority of respondents, 70 percent, believe that

competition with the private sector is increasing. Only five percent feel that competition is decreasing. The next generation of workers may also be less likely to consider a career in public sector and the increased mobility of younger workers often makes them more difficult to retain. In response to competition and various other factors, like increases in retirement, 60 percent of respondents find that recruiting efforts will need to expand to identify and attract the talent necessary to fill vacancies. Similar to service delivery, HR will likely look to IT for systems and tools to aid recruiting efforts. Forty-seven percent indicate that recruiting will utilize new IT systems, while 29 percent indicate recruiting will incorporate new IT tools. Less than a quarter of respondents (24 percent), feel that recruiting efforts will remain the same despite increasing competition or retirements.

All respondents were asked to describe their most effective recruiting strategies or methods. Most of the top strategies involved some type of IT, such as on-line applications, web-based sites and services and automated applicant tracking systems. Use of the organization's web site as a tool for recruiting also ranked very high. Aside from technology, organizations described campus recruiting and the cultivation of relationships with local colleges and universities as being important components of the overall recruitment strategy. Targeted marketing and a consistent approach to advertising were also named as effective recruiting methods.

Organizations that are not currently able to employ these tools and resources would definitely like to be and recognize the value of technology in recruiting. When asked what organizations would like to be doing if resources and know-how were not an issue, the responses generally mirrored those tools cited as being most effective. Organizations would like to move towards on-line applications, web-based recruiting tools and better incorporation of technology in recruiting. Improvements in marketing, including consistent messaging and targeted outreach, were also methods organizations would like to adopt.

Training & Employee Development

Identifying and attracting a new employee is very important, but effective training may make the difference in whether or not an employee succeeds and stays with the organization. Training is often overlooked as an important component in workforce planning due to constraints in time and resources that result in limited opportunities for employee development. Training may also remain largely unrecognized because organizations struggle to link training with on the job activities and responsibilities. Respondents were asked to rank the alignment of their training programs with their overall organizations' missions. On a scale of one to five (1 being low/no alignment and 5 being high/complete alignment) the average ranking was 3.3. This ranking indicates that even though employees are likely participating in training, they may not feel these opportunities help them improve performance and do their jobs better.

Most employees do participate in some type of training or development program. Thirty-four percent of respondents indicate that more than 76 percent of the organization's employees have completed some type of training. Half of all surveyed organizations utilize an E-Learning tool for the delivery of training, and E-Learning and other computer based training were cited as the most effective training methods overall. Other effective strategies included tuition reimbursement for training or education related to the employee's position and training that is linked to specific competencies. Most organizations recognize mandatory training requirements to be a key component of their overall training plans and strategies.

If resources and know-how were not a barrier, more organizations would like to utilize an E-Learning system to deliver training. Registration and organization of training and employee development opportunities appear to be challenges and many respondents indicate better IT tools and systems would make training more user-friendly. Organizations find if the process to register and attend training is too cumbersome, employees are less likely to participate. A clear majority of respondents cited the need for in-house, dedicated training personnel. Respondents recognize value in having professionals with the appropriate experience to conduct and deliver training. Finally, many

organizations indicate that video conferencing systems would aid their training and employee development programs and enable them to reach more employees.

Retention & Succession Planning

Retention efforts and Succession Planning are, for the most part, proactive and strategic efforts. Both areas focus on retaining and developing current employees with the hope of nurturing employees to grow within the organization and take on additional job responsibilities or new roles. Retention efforts often pose a challenge for public sector HR organizations already burdened with cumbersome day-to-day transactions. These activities require information about the current employees to be effective. As discussed earlier in this report, organizations that lack this information may find it difficult to determine what employees are interested in and capable of advancing within the organization. HR will also need to build a training and employee development infrastructure to nurture this talent and help individuals build new skills. At the same time, organizations that struggle with recruiting, especially for critical positions, may be overlooking potential talent in their own workforces.

Fifty-one percent of respondents indicate only a small portion of vacancies, from 1 to 25 percent, are filled by internal candidates. Thirty-one percent of respondents find that between 25 to 50 percent of vacancies are filled by internal candidates. Organizations may be required to look for new talent if the vacancy requires specific skills or experience that does not already exist within the organization. However, HR may focus on external talent due to a lack of valuable information about the current workforce rather than a true need. These findings also call into question how openings are posted within the organization. Do employees have ready access to information about open positions? Do employees view HR as a resource where they can gain information on career opportunities? Do employees feel they can apply for positions without fear of repercussion within the organization? A transparent process and appropriate communication may increase the number of internal applicants and help HR get to know different employees.

Career paths are another tool that helps retain employees by creating a direction to promotional opportunities. Career paths provide employees with a clear sense of how

to advance within the organization and may push some employees to pursue additional training or development opportunities. Despite these benefits, few organizations appear to be developing or utilizing career paths. Fifty-five percent of respondents indicate that only between 1 to 25 percent of current positions have formal career paths. Twenty percent report that between 25 to 50 percent of current positions have formal career paths. Developing career paths is a more strategic activity and may be low on the list of priorities for HR departments with limited staff and resources. At the same time, organizations consistently cite career paths as one of the most effective retention strategies.

All respondents were asked to describe what methods or strategies were most effective in retaining employees or identifying new talent or leadership. Expanded professional development and training opportunities and improved compensation and other benefits were the most common responses. The public sector presents some inherent limits on compensation and benefits. Rather than offer better compensation packages, many organizations utilize more flexible scheduling or non-traditional arrangements, like telecommuting or job-sharing, to retain employees. Organizations may be able to attract a broader pool of applicants by offering part-time opportunities or home-source positions in which employees work from home. These types of arrangements may allow public sector organizations to be more competitive when looking to attract specific skills or experienced professionals, as these individuals may be more interested in the flexible schedule or benefits than actual compensation. Respondents also recognize other strategies, like developing career paths and employee recognition programs, as being highly effective in retaining employees.

The Struggle of Knowledge Management

Knowledge management is defined as any effort related to the capture and maintenance of institutional knowledge. It is a popular concept, especially as more organizations expand usage of content and document management and imaging, records management and other similar IT applications and systems to become more paperless and improve record-keeping capabilities. The push to adopt

these systems, however, can create confusion around how best to employ knowledge management. While an advanced IT system, a document imaging program or a user-friendly central database are important foundation IT components in combating knowledge loss, the act of deploying IT tools does not make a comprehensive knowledge management effort. Knowledge management is as much about the identification of important institutional knowledge as it is about capturing this knowledge.

“Too many organizations get overly caught up in the IT-side of knowledge management. While applications and systems that can capture, process and manage data and information are necessary and helpful, there is more to knowledge management than just IT. Organizations need to determine what information to capture from whom, how to organize it, and how to make it readily available in a contextual fashion for the workers that need it. A vast repository of data, or scanned documents, or an online soft copy of detailed policies and procedures, may not provide much help to, for example, a new employee trying to determine how best to do their job. KM efforts must not only focus on efficiently organizing explicit knowledge (e.g., facts, figure, policies, procedures) but also it must focus on efficiently organizing explicit knowledge (e.g., contextual information, best practices, identification of subject matter experts, “tribal knowledge”) to be truly useful. Simply capturing and digitizing reams of data and content under the guise of knowledge management can be very expensive and even counter-productive,” adds Stan Lepeak, Managing Director for Research and Knowledge Services at EquaTerra.

Taking into account what goes into a comprehensive KM strategy, only 10 percent of respondents have a knowledge management plan in place. Those organizations with a plan identified the following as key components:

- Documentation of policies and procedures
- Cross-training
- Centralized archives or repository of records
- Job shadowing or mentoring

Organizations understand the risk of losing knowledge even if they are unsure of the potential ramifications of this knowledge loss. The majority of respondents (65 percent) indicate their organizations are definitely at risk of losing knowledge due to retiring or exiting employees. When asked to rank their organizations' abilities to identify what knowledge is at risk, on a scale of one to five (1 being low and 5 being high), the average rank was 2.8. Respondents also ranked the extent to which the organization has already experienced knowledge loss. The average ranking in this category was 2.9.

These figures demonstrate an important point about knowledge management. It is difficult to develop a plan or strategy to combat the loss of knowledge if the organization cannot identify what knowledge is at risk. Likewise, organizations may not be aware of the knowledge lost until they experience a negative impact. How does a loss of important or mission-critical knowledge impact an organization? For those organizations which indicated a significant loss of knowledge, respondents report losses in efficiency and time as the greatest impacts. Figure 6 demonstrates the impact of knowledge loss.

Impact of Knowledge Loss on Organization Mission

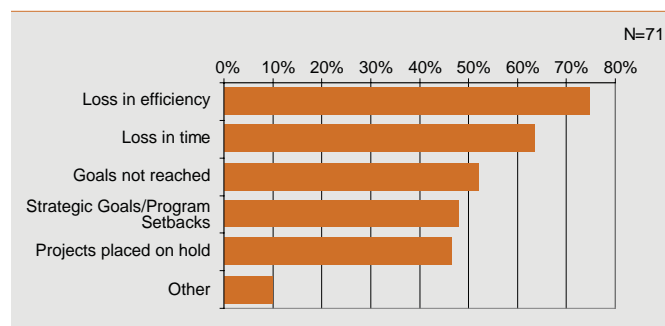


Figure 6

While few organizations have a knowledge management plan in place, 51 percent are undertaking some effort to record or store institutional knowledge. These efforts mirror those key components discussed earlier and include requiring written manuals, documentation of processes and procedures or the development of a central database.

Respondents cited numerous strategies and methods as being effective in combating the loss of institutional knowledge. Establishing standard operating procedures

(SOPs) and documenting policies and procedures were common responses because many organizations still lack documented policies, procedures and related manuals. Other strategies focused on records management such as document imaging systems and centralized archives. Organizations are dealing with higher scrutiny on record keeping often due to new regulations. Records management, including archiving and established policies for the maintenance and disposal of documents, has also become increasingly important. Finally, many organizations named cross-training as an important tool. Cross-training allows multiple employees to learn to do a job and reduces an organization's risk if an employee leaves. Cross-training becomes even more important for mission-critical tasks and processes that may be required to keep the organization operating or delivering services. Cross-training should be comprehensive so employees feel confident in their abilities to complete these other processes and responsibilities. While each of these identified strategies and approaches are valid and valuable to knowledge management efforts, organizations must exert equal emphasis on capturing and managing all types of organizational knowledge, both hard and soft.

Conclusion

Public sector organizations must take a proactive and direct approach to dealing with the issues associated with their aging workforces. Organizations must assess and understand what pending retirement trends mean in the context of their own organizations and to know as much as possible about their current workforces and their dimensions of recruitment, retention, training and retirement. Education and self-assessment are keys to rationally assessing the aging workforce's actual potential impact and determining how best to respond to it. Utilizing a combination of both proactive and pre-planned responsive measures will allow organizations to recognize potential and real challenges before these issues become a crisis that endangers the organizations and their abilities to deliver service. A good place to start is with employees that have already retired. How long did these employees stay in their jobs after becoming eligible for retirement? What were their roles in the organization and what was the impact of their exit? Was knowledge lost? This information will provide some perspective on employees currently eligible for retirement.

Informative measures on retirement are critical but so are measures that indicate how the organization is prepared to respond to rapid retirements, increases in turnover, changes in demographics and a younger workforce. How much does recruitment cost and does it result in quality hires well suited for specific positions? Do employees feel like they're prepared upon completing training? How flexible are areas like recruiting, staffing and training? Many of the measures examined in this research are key tools in not only understanding the current workforce but also understanding how well an organization will deal with change.

Organizations should be cautious not to consider the aging workforce in a vacuum but rather in the context of annual turnover, potential or likely demographic changes and other circumstances that may impact the organization and its employees. Some organizations may never experience a rapid personnel loss through retirements, especially with some baby boomers working longer to build pensions or prepare for retirement. However, a shift in jurisdiction population could lead to fewer qualified candidates for those vacancies left by regular turnover.

Likewise, organizations should not rely on IT systems and solutions to respond to changes in both the workforce and the community. Most public sector organizations already struggle with failing legacy IT systems or are not able to fully

incorporate new systems. IT may be an important tool within an overall strategy but it should not be the only tool. Further, organizations need to be thoughtful on the expectations for new IT systems and applications to insure these tools will help achieve the desired results.

An effective knowledge management strategy begins with understanding what knowledge is at risk and how losing this knowledge will impact the organization. This is not a simple task and will require a somewhat systematic review, especially with individuals that have deep institutional knowledge from long tenure with the organization. Organizations report a variety of strategies to capture institutional knowledge from job shadowing to peer-to-peer knowledge transfer. Organizations must consider a variety of methods when assessing how to capture this information and how to pass it to other employees.

Report Scope and Research Methodology

EquaTerra conducted this research during November 2006 utilizing an on-line survey instrument. The survey instrument was distributed to IPMA-HR's membership and more than 350 public sector professionals responded to the survey. Because the majority of IPMA-HR members work within the HR field, 37 percent of respondents indicated their title as being either Director or Deputy Director of HR or Personnel.

Sixty-eight percent of all respondents were local government, municipality, city, county or town/township type organizations. Sixty-seven percent of responding organizations serve between 1 and 499,999 constituents in their jurisdictions or communities.

The Appendix of this report provides additional survey respondent demographics.

Appendix

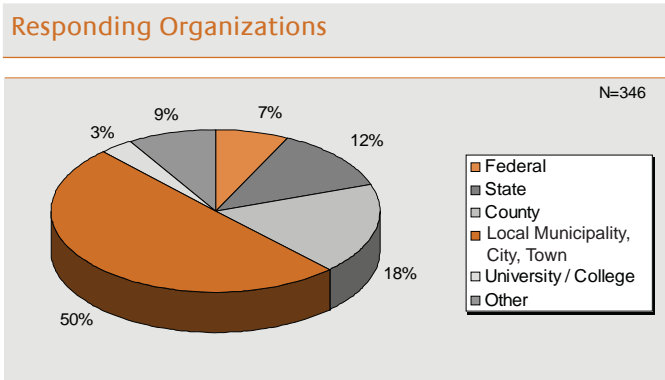


Figure 7

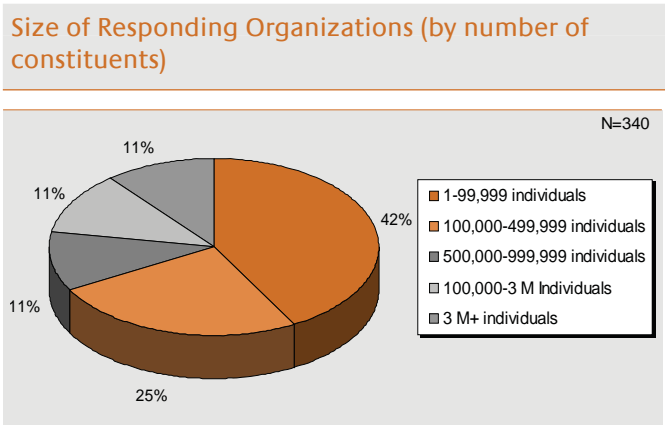


Figure 8

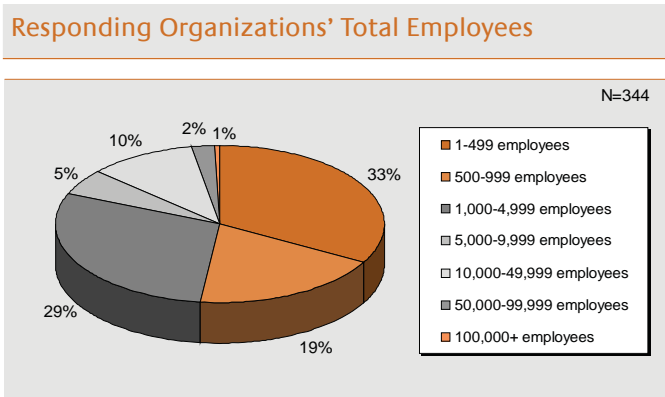


Figure 9

About the Organizations Responsible for this Report

About The International Public Management Association for Human Resources

The International Public Management Association for Human Resources (IPMA-HR) is a non-profit organization representing the interests of over 7,500 human resource professionals who work primarily in the public sector. IPMA-HR members are employed at all levels of government within the United States and other countries and international organizations. The mission of IPMA-HR is to provide human resource leadership and advocacy, professional development, information and services to enhance organizational and individual performance in the public sector. To further this mission, IPMA-HR provides a wide range of resources including publications, research, assessment, professional development programs, and certification. IPMA-HR is recognized for providing human resource leadership that makes a difference in the public sector.

To learn more about IPMA-HR go to: <http://www.ipma-hr.org>.

About Convergys

Convergys Corporation (NYSE: CVG) is a global leader in providing customer care, human resources, and billing services. Convergys combines specialized knowledge and expertise with solid execution to deliver outsourced solutions, consulting services, and software support. Clients in more than 70 countries speaking nearly 35 languages depend on Convergys to manage the increasing complexity and cost of caring for customers and employees. Convergys serves the world's leading companies in many industries including government, communications, financial services, technology, and consumer products.

Convergys is a member of the S&P 500 and a Fortune Most Admired Company. Headquartered in Cincinnati, Ohio, Convergys has approximately 74,000 employees in 75 customer contact centers, three data centers, and other facilities in the United States, Canada, Latin America, Europe, the Middle East, and Asia.

For more information visit www.convergys.com.

(Outthinking, Outdoing and Infinys are trademarks and Convergys and the Convergys logo are registered trademarks of Convergys Corporation.)

About EquaTerra

EquaTerra (www.EquaTerra.com) is focused solely on providing global corporations with outsourcing and in-sourcing advisory, research and governance services that enable them to achieve services delivery excellence for their administrative processes. EquaTerra's advisors average more than 20 years of industry, service provider and process experience with functional leadership in Finance & Accounting, HR, IT and Procurement, and have been involved in over 600 global business transformation, outsourcing and outsourcing management projects.

For more information on EquaTerra's public sector capabilities, please contact Glenn Davidson at: Glenn.Davidson@EquaTerra.com or +1 202.904.2311; or go to: www.EquaTerra.com.

For more information on EquaTerra's research and knowledge services, please contact Stan Lepeak, at Stan.Lepeak@EquaTerra.com or + 1 203.458.0677.